

CENTRAL COMMUNITY SCHOOL DISTRICT

INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS

June 30, 2006

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CENTRAL COMMUNITY SCHOOLS
Officials

<u>Name</u>	<u>Title</u>	<u>Term Expires</u>
Board of Education (Before September 2005 Election)		
Christopher Grau	President	2005
Richard Bahls	Vice President	2005
Thomas Healy	Board Member	2005
Tracy Schroeder	Board Member	2005
Gregory Hach	Board Member	2006
Lori Bouska	Board Member	2007
Susan Ruhser	Board Member	2007
Board of Education (After September 2005 Election)		
Susan Ruhser	President	2007
Lori Bouska	Vice President	2007
Rachel Jaster	Board Member	2006
Gregory Hach	Board Member	2006
Robert Hankey	Board Member	2008
Kristen Fitzgerald	Board Member	2008
Jolene Jansen	Board Member	2008
School Officials		
Brian Rodenberg	Superintendent	2006
Julie Moody	District Secretary	2006
Alan J. Johnson	Treasurer	2006
Stephen D. Saunders	Attorney	2006

Dietz, Donald & Company

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Independent Auditor's Report

To the Board of Education of
Central Community School District

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Community School District, Elkader, Iowa, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents. These financial statements are the responsibility of District officials. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of Central Community School District at June 30, 2006, and the respective changes in financial position and cash flows, where applicable, for the year then ended in conformity with U.S. generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued our report dated January 26, 2007 on our consideration of Central Community School District's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The

purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

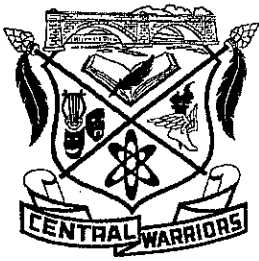
Management's Discussion and Analysis and budgetary comparison information on pages 7 through 15 and 40 through 42 are not required parts of the basic financial statements, but are supplementary information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. We did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Central Community School District's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the three years ended June 30, 2005 (which are not presented herein) and expressed unqualified opinions on those financial statements. Other supplementary information, included in Schedules 1 through 4, is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in our audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Elkader, Iowa 52043

January 26, 2007

Dietz, Donald & Company
Dietz, Donald & Company, CPAs
FEIN 42-1172392



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MANAGEMENT'S DISCUSSION AND ANALYSIS

Central Community School District provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2006. We encourage readers to consider this information in conjunction with the District's financial statements, which follow.

2006 FINANCIAL HIGHLIGHTS

General Fund revenues increased from \$ 4,641,344 in fiscal 2005 to \$ 4,646,814 in fiscal 2006, while General Fund expenditures increased from \$ 4,524,588 in fiscal 2005 to \$ 4,604,092 in fiscal 2006. The District's General Fund balance increased from \$ 147,087 in fiscal 2005 to \$ 189,809 in fiscal 2006, a 29% increase.

The increase in General Fund revenues was negligible. The increase in expenditures was due primarily to an increase in the negotiated salary and benefits.

USING THIS ANNUAL REPORT

The annual report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the District's financial activities.

The Government-wide Financial Statements consist of a Statement of Net Assets and a Statement of Activities. These provide information about the activities of Central Community School District as a whole and present an overall view of the District's finances.

The Fund Financial Statements tell how governmental services were financed in the short term as well as what remains for future spending. Fund financial statements report Central Community School District's operations in more detail than the government-wide statements by providing information about the most significant funds. The remaining statements provide financial information about activities for which Central Community School District acts solely as custodian for the benefit of those outside of the District.

Notes to financial statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Required Supplementary Information further explains and supports the financial statements with a comparison of the District's budget for the year.

Other Supplementary Information provides detailed information about the nonmajor Governmental Funds.

REPORTING THE DISTRICT'S FINANCIAL ACTIVITIES

Government-wide Financial Statements

The government-wide financial statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Activities, regardless of when cash is received or paid.

The two government-wide financial statements report the District's net assets and how they have changed. Net assets-the difference between the District's assets and liabilities-are one way to measure the District's financial health and financial position. Over time, increases or decreases in the District's net assets are an indicator of whether financial position is improving or deteriorating. To assess the District's overall health, additional non-financial factors, such as changes in the District's property tax base and the condition of school buildings and other facilities, need to be considered.

In the government-wide financial statements, the District's activities are divided into two categories:

Governmental activities: Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property tax and state aid finance most of these activities.

Business type activities: The District charges fees to help cover the costs of certain services it provides. The District's school nutrition program is included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the District's funds, focusing on its most significant or "major" funds-not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs.

Some funds are required by state law and by bond covenants. The District established other funds to control and manage money for particular purposes, such as accounting for student activity funds, or to show that it is properly using certain revenues, such as the management levy.

The District has three kinds of funds:

- 1) Governmental funds: Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental fund statements provide a detailed short-term view that helps determine whether there are more or fewer financial resources that can be spent in the near future to finance District's programs.

The District governmental funds include the General Fund, Special Revenue Funds and Capital Projects Fund.

The required financial statements for governmental funds include a balance sheet and a statement of revenue, expenditures and changes in fund balances.

- 2) Proprietary fund: Services for which the District charges a fee are generally reported in proprietary funds. Proprietary funds are reported in the same way as the government-wide financial

statements. The District's Enterprise Funds, one type of proprietary fund, are the same as its business type activities but provide more detail and additional information, such as cash flows. The District currently has one Enterprise Fund, the School Nutrition Fund.

The required financial statements for proprietary funds include a statement of revenues, expenses and changes in fund net assets and a statement of cash flows.

- 3) Fiduciary funds: The District is the trustee, or fiduciary, for assets that belong to others. The District currently has one Fiduciary Fund, a Private Purpose Trust Fund.

Private-Purpose Trust Fund-The District accounts for outside donations for scholarships for individual students in this fund.

The District is responsible for ensuring the assets reported in the fiduciary funds are used only for their intended purposes and by those to whom the assets belong. The District excludes these activities from the government-wide financial statements because it cannot use these assets to finance its operations.

The required financial statements for fiduciary funds includes a statement of fiduciary net assets and a statement of changes in fiduciary net assets.

Reconciliations between the government-wide financial statements and the fund financial statements follow the fund financial statements.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

A summary of the District's net assets at June 30, 2006 compared to June 30, 2005, is provided below.

Condensed Statement of Net Assets (Expressed in Thousands)							
	Government Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2006-2005
Current and other assets	\$ 3,298	2,431	\$ 74	52	\$ 3,372	2,483	35.8%
Capital assets	1,509	1,485	8	11	1,517	1,496	1.4%
Total assets	4,807	3,916	82	63	4,889	3,979	22.9%
Long-term liabilities	45	21	-	-	45	21	114.2%
Other liabilities	2,460	1,736	19	3	2,479	1,739	42.6%
Total liabilities	2,505	1,757	19	3	2,524	1,760	43.4%
Net assets							
Invested in capital assets	1,509	1,485	8	11	1,517	1,496	1.4%
Restricted	616	533	-	-	616	533	15.6%
Unrestricted	177	141	55	49	232	190	22.1%
Total net assets	\$ 2,302	2,159	\$ 63	60	\$ 2,365	\$ 2,219	6.6%

The District's combined net assets increased by over 6%, or approximately \$ 146,000 from the prior year. The largest portion of the District's net assets is invested in capital assets (e.g., land, infrastructure, buildings and equipment).

Restricted net assets represent resources that are subject to external restrictions, constitutional provisions or enabling legislation on how they can be used. The restricted net assets increased approximately \$ 83,000.

Unrestricted net assets-the part of net assets that can be used to finance day-to-day operations without constraints established by debt covenants, enabling legislation or other legal requirements-increased approximately \$ 42,000, or 22%. This increase in unrestricted net assets was a result of General Fund revenues exceeding General Fund expenditures by nearly \$ 43,000.

The following schedule shows the change in net assets for the years ended June 30, 2006 and 2005.

Change in Net Assets (Expressed in Thousands)								
	Governmental Activities		Business type Activities		Total District		Total Change	
	2006	2005	2006	2005	2006	2005	2005-2006	
Revenues:								
Program revenues:								
Charge for service	\$ 373	339	111	102	484	441	9.8%	
Operating grants, contributions and related interest	539	552	121	118	660	670	-1.5%	
General revenues:								
Property tax	1,767	1,762	-	-	1,767	1,762	.3%	
Local option sales and service tax	268	328	-	-	268	328	-18.3%	
Income tax surtax	154	147	-	-	154	147	4.8%	
Unrestricted state grants	2,063	2,146	-	-	2,063	2,146	-3.9%	
Unrestricted investment earnings	11	15	1	-	12	15	-20.0%	
Other	24	2	-	-	24	2	1100.0%	
Total revenues	5,199	5,291	233	220	5,432	5,511	-1.4%	
Program expenses:								
Governmental activities:								
Instruction	3,285	3,213	-	-	3,285	3,213	2.2%	
Support services	1,494	1,450	-	-	1,494	1,450	3.0%	
Non-instructional programs	-	-	230	222	230	222	3.6%	
Other expense	276	334	-	-	276	334	-17.4%	
Total expenses	5,055	4,997	230	222	5,285	5,219	1.3%	
Change in net assets	\$ 144	294	3	(2)	147	292	-49.7%	

In fiscal 2006, property tax and unrestricted state grants account for 73.7% of the revenue from governmental activities while charges for services and operating grants and contributions account for 99.6% of the revenue from business type activities.

The District's total revenues were approximately \$ 5.43 million of which \$ 5.20 million was for governmental activities and slightly over \$ 230,000 was for business type activities.

As shown above, the District as a whole experienced a 1.4% decrease in revenues and a 1.3% increase in expenses. Property taxes increased approximately \$ 5,000, while state grants decreased approximately \$ 83,000. The increases in expenses related to increases in the negotiated salaries and benefits.

Governmental Activities

Revenues for governmental activities were \$ 5,198,986 and expenses were \$ 5,055,458. In a difficult budget year, the District was able to balance the budget by trimming expenses to match available revenues.

The following table presents the total and net costs of the District's major governmental activities: instruction, support services and other expenses.

Total and Net Cost of Governmental Activities (Expressed in Thousands)						
	Total Cost of Services			Net Cost of Services		
	2006	2005	Change 2005-2006	2006	2005	Change 2005-2006
Instruction	\$ 3,285	3,213	2.2%	2,583	2,561	.9%
Support services	1,494	1,451	7.9%	1,464	1,434	2.1%
Other expenses	276	334	-17.4%	96	112	-14.3%
Total	\$ 5,055	4,998	1.1%	4,143	4,107	.9%

The cost financed by users of the District's programs was \$ 373,052.

Federal and state governments subsidized certain programs with grants and contributions totaling \$ 538,904.

The net cost of governmental activities was financed with \$ 2,190,315 in property and other taxes and \$ 2,063,257 in unrestricted state grants.

Business Type Activities

Revenues for business type activities were \$ 232,985 and expenses were \$ 229,882. The District's business type activities include the School

Nutrition Fund. Revenues of these activities were comprised of charges for service, federal and state reimbursements and investment income.

INDIVIDUAL FUND ANALYSIS

As previously noted, Central Community School District used fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

The financial performance of the District as a whole is reflected in its governmental funds, as well. As the District completed the year, its governmental funds reported a combined fund balance of \$ 838,357, well above last year's ending fund balance of \$ 695,214.

Governmental Fund Highlights

The District's improved General Fund financial position is the result of expenditures increasing at less than the inflation rate (only 1.8%). Despite revenues increasing by only .1%, the governmental fund balance still managed to increase by \$ 42,722.

The Capital Projects Fund was started in 2004 to account for revenues from local option sales tax. For fiscal 2005 the Fund had revenues of \$ 328,370 and expenditures of \$ 95,687. For fiscal 2006 the Fund had revenues of \$ 268,640 and expenditures of \$ 159,207.

Proprietary Fund Highlights

School Nutrition Fund net assets increased from \$ 59,736 at June 30, 2005 to \$ 62,839 at June 30, 2006, representing an increase of approximately 5.2%. For fiscal 2006, the District's cost increased by \$ 8,128. Most of this increased cost was met by an increase in charges of \$ 8,929.

BUDGETARY HIGHLIGHTS

The District's receipts were \$ 474 more than budgeted receipts, an insignificant variance.

Total expenditures were less than budgeted, due primarily to the District's budget for the General Fund. It is the District's practice to budget expenditures at the maximum authorized spending authority for the General Fund. The District then manages or controls General Fund spending through its line-item budget. As a result, the District's certified budget should always exceed actual expenditures for the year.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

At June 30, 2006, the District had invested over \$1.5 million, net

of accumulated depreciation, in a broad range of capital assets, including land, buildings, athletic facilities, computers, audio-visual equipment and transportation equipment. This represents a net increase of 1.4% from last year. More detailed information about the District's capital assets is presented in Note 5 to the financial statements. Depreciation expense for the year was \$ 147,300.

The original cost of the District's capital assets was \$ 4.1 million. Governmental funds account for \$ 4.0 million, with the remainder of \$ 0.1 million accounted for in the Proprietary, School Nutrition Fund.

The largest change in capital asset activity during the year occurred in the building category, which increased by \$ 107,463 most of which was due to the reroofing of the gymnasium, which was not completed at June 30, 2005.

Capital Assets, net of Depreciation (expressed in thousands)							
	Governmental Activities		Business type Activities		Total District		Total Change
	June 30,		June 30,		June 30,		June 30,
	2006	2005	2006	2005	2006	2005	2005-2006
Land	\$ 101	100	\$ -	-	\$ 101	100	1.0%
Construction in progress	37	54	-	-	37	54	-31.5%
Buildings	1,073	1,034	-	-	1,073	1,034	3.9%
Furniture and equipment	298	297	8	11	306	308	-0.6%
Totals	<u>\$ 1,509</u>	<u>1,485</u>	<u>\$ 8</u>	<u>11</u>	<u>\$ 1,517</u>	<u>1,496</u>	<u>1.4%</u>

Long-term Debt

At June 30, 2006 the District had \$ 45,083 in other long-term debt outstanding. This represents an increase of approximately 105% from last year. Additional information about the District's long-term debt is presented in Note 6 to the financial statements.

Outstanding Long-Term Obligation (expressed in thousands)			
	Total District		Total Change
	June 30,		June 30,
	2006	2005	2005-2006
Early retirement	\$ 32	14	128.6%
Compensated absences	13	8	62.5%
Total	\$ 45	22	104.5%

ECONOMIC FACTORS BEARING ON THE DISTRICT'S FUTURE

The District has experienced declining enrollment for the past three years and expects that trend to continue.

Budgeted disbursements for fiscal 2007 are \$ 1,218,850 more than the final budgeted amount for fiscal 2006, a 21.9% increase. The proposed property tax rate for 2007 is 13.95116 (per \$ 1,000 taxable valuation) a .01% increase from fiscal 2006. The budget increase includes \$ 800,000 for remodeling the elementary portion of the District's facility.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide the District's citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Joyce Piorkowski, District Secretary, Central Community School District, 400 First Street NW, Elkader, Iowa 52043.

BASIC FINANCIAL STATEMENTS

CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
June 30, 2006

	Governmental Activities	Business Type Activities	Total
ASSETS			
Cash and cash equivalents:			
ISCAP	\$ 371,483	0	371,483
Other	962,905	66,963	1,029,868
Receivables:			
Property tax:			
Delinquent	46,390	0	46,390
Succeeding year	1,765,743	0	1,765,743
Accounts	34,327	115	34,442
ISCAP accrued interest	115	0	115
Due from other funds	15,898	0	15,898
Due from other governments	101,607	0	101,607
Inventories	0	6,821	6,821
Capital assets, net of accumulated depreciation	1,508,988	8,159	1,517,147
TOTAL ASSETS	4,807,456	82,058	4,889,514
LIABILITIES			
Accounts payable	7,997	0	7,997
Salaries and benefits payable	310,342	0	310,342
Due to other funds	0	15,898	15,898
Deferred revenues:			
Succeeding year property tax	1,765,743	0	1,765,743
Other	1,106	3,321	4,427
ISCAP warrants payable	372,000	0	372,000
ISCAP accrued interest payable	2,923	0	2,923
Long-term liabilities:			
Portion due within one year:			
Compensated absences	12,926	0	12,926
Early retirement	28,723	0	28,723
Portion due after one year:			
Early retirement	3,434	0	3,434
TOTAL LIABILITIES	2,505,194	19,219	2,524,413
NET ASSETS			
Invested in capital assets, net of related debt	1,508,988	8,159	1,517,147
Restricted for:			
Management levy	50,355	0	50,355
Physical plant and equipment levy	38,195	0	38,195
Local option sales tax capital projects	386,701	0	386,701
Other special revenue purposes	141,140	0	141,140
Unrestricted	176,883	54,680	231,563
TOTAL NET ASSETS	\$ 2,302,262	62,839	2,365,101

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
Year Ended June 30, 2006

	Program Revenues			Net (Expense) Revenue and Changes in Net Assets		
	Expenses	Charges for Service	Operating Grants Contributions and Restricted Interest	Governmental Activities	Business Type Activities	Total
FUNCTIONS/PROGRAMS:						
Governmental activities:						
Instruction:						
Regular	\$ 2,278,968	161,636	215,707	(1,901,625)	0	(1,901,625)
Special	579,278	65,896	99,617	(413,765)	0	(413,765)
Other	427,046	143,475	15,533	(268,038)	0	(268,038)
	<u>3,285,292</u>	<u>371,007</u>	<u>330,857</u>	<u>(2,583,428)</u>	<u>0</u>	<u>(2,583,428)</u>
Support services:						
Student	132,861	0	3,396	(129,465)	0	(129,465)
Instructional staff	164,761	0	24,256	(140,505)	0	(140,505)
Administration	513,533	0	0	(513,533)	0	(513,533)
Plant operation and maintenance	384,859	711	0	(384,148)	0	(384,148)
Transportation	298,129	1,334	0	(296,795)	0	(296,795)
	<u>1,494,143</u>	<u>2,045</u>	<u>27,652</u>	<u>(1,464,446)</u>	<u>0</u>	<u>(1,464,446)</u>
Other expenditures:						
Facilities acquisition	27,067	0	0	(27,067)	0	(27,067)
AEA flow through	180,395	0	180,395	0	0	0
Depreciation (unallocated)	68,561	0	0	(68,561)	0	(68,561)
	<u>276,023</u>	<u>0</u>	<u>180,395</u>	<u>(95,628)</u>	<u>0</u>	<u>(95,628)</u>
Total governmental activities	5,055,458	373,052	538,904	(4,143,502)	0	(4,143,502)
Business type activities:						
Non-instruction programs:						
Food service operations:	229,882	111,107	120,516	0	1,741	1,741
Total	<u>5,285,340</u>	<u>484,159</u>	<u>659,420</u>	<u>(4,143,502)</u>	<u>1,741</u>	<u>(4,141,761)</u>
GENERAL REVENUES:						
Property tax levied for:						
General purposes				1,722,391	0	1,722,391
Capital outlay				44,503	0	44,503
Local option sales and service tax				268,578	0	268,578
Income tax surtax				153,843	0	153,843
Unrestricted state grants				2,063,257	0	2,063,257
Unrestricted investment earnings				10,678	1,362	12,040
Miscellaneous				23,780	0	23,780
Total general revenues				<u>4,287,030</u>	<u>1,362</u>	<u>4,288,392</u>
Change in net assets				143,528	3,103	146,631
Net assets beginning of year				2,158,734	59,736	2,218,470
Net assets end of year				<u>\$ 2,302,262</u>	<u>62,839</u>	<u>2,365,101</u>

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
June 30, 2006

	General	Capital Projects	Nonmajor Special Revenue	Total
ASSETS				
Cash and pooled investments:				
ISCAP	\$ 371,483	0	0	371,483
Other	377,951	312,907	272,047	962,905
Receivables:				
Property tax:				
Delinquent	42,970	0	3,420	46,390
Succeeding year	1,539,775	0	225,968	1,765,743
Accounts	34,327	0	0	34,327
ISCAP accrued interest	115	0	0	115
Due from other funds	29,518	0	0	29,518
Due from other governments	27,489	74,118	0	101,607
TOTAL ASSETS	\$ 2,423,628	387,025	501,435	3,312,088
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 7,673	324	0	7,997
Salaries and benefits payable	310,342	0	0	310,342
Due to other funds	0	0	13,620	13,620
ISCAP warrants payable	372,000	0	0	372,000
ISCAP accrued interest payable	2,923	0	0	2,923
Deferred revenue:				
Succeeding year property tax	1,539,775	0	225,968	1,765,743
Other	1,106	0	0	1,106
Total liabilities	2,233,819	324	239,588	2,473,731
Fund balances: unreserved	189,809	386,701	261,847	838,357
TOTAL LIABILITIES AND FUND BALANCES	\$ 2,423,628	387,025	501,435	3,312,088

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET ASSETS
June 30, 2006

Total fund balances of governmental funds (page 19)	\$ 838,357
Assets reported for governmental activities in the Statement of Net Assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in the governmental funds	1,508,988
Long-term liabilities, including compensated absences and early retirement, are not due and payable in the current period and, therefore are not reported in the funds	<u>(45,083)</u>
Net assets of governmental activities (page 17)	<u>\$ 2,302,262</u>

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
Year Ended June 30, 2006

	General	Capital Projects	Nonmajor Special Revenue	Total
Revenues:				
Local sources:				
Local tax	\$ 1,788,165	186,157	131,485	2,105,807
Tuition	221,079	0	0	221,079
Other	40,079	0	149,018	189,097
Intermediate sources	1,330	0	0	1,330
State sources	2,421,920	82,483	129	2,504,532
Federal	171,406	0	0	171,406
Total revenues	4,643,979	268,640	280,632	5,193,251
Expenditures:				
Current:				
Instruction:				
Regular	2,216,477	0	45,264	2,261,741
Special	572,937	0	0	572,937
Other	285,924	0	143,148	429,072
	3,075,338	0	188,412	3,263,750
Support services:				
Student	132,861	0	0	132,861
Instructional staff	141,791	1,567	17,391	160,749
Administration	481,946	0	23,866	505,812
Plant operation and maintenance	351,284	0	28,343	379,627
Transportation	240,477	58,091	0	298,568
	1,348,359	59,658	69,600	1,477,617
Other expenditures:				
Facilities acquisition	0	99,549	31,632	131,181
AEA flow through	180,395	0	0	180,395
	180,395	99,549	31,632	311,576
Total expenditures	4,604,092	159,207	289,644	5,052,943
Excess (deficiency) of revenues over (under) expenditures	39,887	109,433	(9,012)	140,308
Other financing sources:				
Sale of equipment	2,835	0	0	2,835
Net change in fund balances	42,722	109,433	(9,012)	143,143
Fund balances beginning of year	147,087	277,268	270,859	695,214
Fund balances end of year	\$ 189,809	386,701	261,847	838,357

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT
 RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
 CHANGES IN FUND BALANCES-GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2006

Net change in fund balances-total governmental funds (page 21)	\$ 143,143
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Amounts reported for governmental activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, these costs are capitalized in the Statement of Net Assets and are allocated over their estimated useful lives as depreciation expense in the Statement of Activities. Capital outlay expenditures exceeded depreciation expense in the current year as follows:

Expenditures for capital assets	\$ 162,205	
Depreciation expense	(141,209)	
Gain on trade-in of buses	2,900	23,896

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds as follows:

Early retirement	(18,566)	
Compensated absences	(4,945)	(23,511)

Change in net assets of governmental activities (page 18)	\$ 143,528
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See accompanying independent auditor's report.

CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF NET ASSETS
PROPRIETARY FUND
June 30, 2006

	<u>School Nutrition</u>
ASSETS	
Cash	\$ 66,963
Accounts receivable	115
Inventories	6,821
Capital assets, net of accumulated depreciation	<u>8,159</u>
TOTAL ASSETS	<u>82,058</u>
LIABILITIES	
Due to other funds	15,898
Deferred revenue	<u>3,321</u>
TOTAL LIABILITIES	<u>19,219</u>
NET ASSETS	
Invested in capital assets, net of related debt	8,159
Unrestricted	<u>54,680</u>
TOTAL NET ASSETS	<u>\$ 62,839</u>

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUND
Year Ended June 30, 2006

	<u>School Nutrition</u>
Operating revenues:	
Local sources:	
Charges for service	<u>\$ 111,107</u>
Operating expenses:	
Non-instructional programs:	
Food service operations:	
Salaries	81,519
Benefits	17,181
Purchased services	3,718
Supplies	121,373
Depreciation	<u>6,091</u>
Total operating expenses	<u>229,882</u>
Operating loss	<u>(118,775)</u>
Non-operating revenue:	
State sources	2,826
Federal sources	117,690
Interest income	<u>1,362</u>
Total non-operating revenue	<u>121,878</u>
Change in net assets	3,103
Net assets beginning of year	<u>59,736</u>
Net assets end of year	<u>\$ 62,839</u>

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CASH FLOWS
PROPRIETARY FUND
Year Ended June 30, 2006

	<u>School Nutrition</u>
Cash flows from operating activities	
Cash received from sales of lunches and breakfasts	\$ 110,987
Cash paid to employees for services	(82,802)
Cash paid to suppliers for goods or services	<u>(110,550)</u>
Net cash used by operating activities	<u>(82,365)</u>
Cash flows from non-capital : financing activities:	
State grants received	2,826
Federal grants received	<u>103,002</u>
Net cash provided by non-capital financing activities	<u>105,828</u>
Cash flows from capital and related financing activities:	
Acquisition of capital assets	<u>(3,192)</u>
Cash flows from investing activities:	
Interest on investments	<u>1,362</u>
Net increase in cash	21,633
Cash beginning of year	<u>45,330</u>
Cash end of year	<u><u>\$ 66,963</u></u>
Reconciliation of operating loss to net cash used by operating activities:	
Operating loss	\$(118,775)
Adjustments to reconcile operating loss to net cash used by operating activities:	
Commodities used	14,688
Depreciation	6,091
(Increase) in accounts receivable	(115)
Decrease in inventories	3
(Decrease) in accounts payable	(150)
Increase in due to other funds	15,898
Decrease in deferred revenue	<u>(5)</u>
Net cash used by operating activities	<u><u>\$ (82,365)</u></u>
Non-cash investing, capital and financing activities:	
During the year ended June 30, 2006, the District received \$ 14,688 of federal commodities.	

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
June 30, 2006

	Private Purpose Trust	Scholarship
ASSETS		
Cash		\$ 2,000
LIABILITIES		
None		<u>-</u>
NET ASSETS		
Reserved for scholarships		<u>\$ 2,000</u>

See notes to financial statements.

CENTRAL COMMUNITY SCHOOL DISTRICT
STATEMENT OF CHANGES IN FIDUCIARY NET ASSETS
FIDUCIARY FUNDS
Year Ended June 30, 2006

	Private Purpose Trust	<u>Scholarship</u>
Additions:		
Local sources:		
Interest income	\$ 60	
Deductions:		
Support services:		
Scholarships awarded		<u>60</u>
Change in net assets		0
Net assets beginning of year		<u>2,000</u>
Net assets end of year		<u><u>\$ 2,000</u></u>

See notes to financial statements.

Central Community School District

Notes to Financial Statements

June 30, 2006

(1) Summary of Significant Accounting Policies

Central Community School District is a political subdivision of the State of Iowa and operates public schools for children in grades Kindergarten through twelve. Additionally, the District either operates or sponsors various adult education programs. These courses include remedial education as well as vocational and recreational courses. The geographic area served includes the cities of Elkader, Volga City, St. Olaf, Elkport and Garber, Iowa and the predominate agricultural territory of west central Clayton County. The District is governed by a Board of Education whose members are elected on a nonpartisan basis.

The District's financial statements are prepared in conformity with U.S. generally accepted accounting principles as prescribed by the Governmental Accounting Standards Board.

A. Reporting Entity

For financial reporting purposes, Central Community School District has included all funds, organizations, agencies, boards, commissions and authorities. The District has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the District are such that exclusion would cause the District's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the District to impose its will on the organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the District. Central Community School District has no component units which meet the Governmental Accounting Standards Board criteria.

Jointly Governed Organization - The District participates in a jointly governed organization that provides services to the District but does not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. The District is a member of the Clayton County Assessor's Conference Board.

B. Basis of Presentation

Government-wide Financial Statements - The Statement of Net Assets and the Statement of Activities report information on all of the nonfiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service.

The Statement of Net Assets presents the District's nonfiduciary assets and liabilities, with the difference reported as net assets. Net assets are reported in three categories:

Invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation and reduced by outstanding balances for bonds, notes and other debt attributable to the acquisition, construction or improvement of those assets.

Restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets that do not meet the definition of the two preceding categories. Unrestricted net assets often have constraints on resources imposed by management which can be removed or modified.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those clearly identifiable with a specific function. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function and 2) grants, contributions and interest restricted to meeting the operational or capital requirements of a particular function. Property tax and other items not properly included among program revenues are reported instead as general revenues.

Fund Financial Statements - Separate financial statements are provided for governmental, proprietary and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The District reports the following major governmental funds:

The General Fund is the general operating fund of the District. All general tax revenues and other revenues that are not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating expenditures, including instructional, support and other costs.

The Capital Projects Fund accounts for receipts and disbursement of the local option sales tax.

The District reports the following major proprietary fund:

The District's proprietary fund is the Enterprise, School Nutrition Fund. This fund is used to account for the food service operations of the District.

The District also reports the following fiduciary fund which focuses on net assets and changes in net assets:

The Private Purpose Trust Fund is used to account for assets held by the District under trust agreements which require income earned to be used to benefit individuals through scholarship awards.

C. Measurement Focus and Basis of Accounting

The government-wide, proprietary and fiduciary fund financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property tax is recognized as revenue in the year for which it is levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been satisfied.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days after year end.

Property tax, intergovernmental revenues (shared revenues, grants and reimbursements from other governments) and interest associated with the current fiscal period are all considered to be susceptible to accrual. All other revenue items are considered to be measurable and available only when cash is received by the District.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, principal and interest on long-term debt, claims and judgments and compensated absences are recognized as expenditures only when payment is due. Capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the District funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to finance the program. It is the District's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

The proprietary fund of the District applies all applicable GASB pronouncements, as well as the following pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements: Financial Accounting Standards Board Statements and Interpretations, Accounting Principles Board Opinions, and Accounting Research Bulletins of the Committee of Accounting Procedure.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the District's Enterprise Fund is charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The District maintains its financial records on the cash basis. The financial statements of the District are prepared by making memorandum adjusting entries to the cash basis financial records.

D. Assets, Liabilities and Fund Equity

The following accounting policies are followed in preparing the financial statements:

Cash, Pooled Investments and Cash Equivalents - The cash balances of most District funds are pooled and invested. Investments are stated at fair value except for non-negotiable certificates of deposit which are stated at cost.

For purposes of the statement of cash flows, all short-term cash investments that are highly liquid are considered to be cash equivalents. Cash equivalents are readily convertible

to known amounts of cash and, at the day of purchase, have a maturity date no longer than three months.

Property Tax Receivable - Property tax in governmental funds is accounted for using the modified accrual basis of accounting.

Property tax receivable is recognized in these funds on the levy or lien date, which is the date the tax asking is certified by the Board of Education. Delinquent property tax receivable represents unpaid taxes for the current and prior years. The succeeding year property tax receivable represents taxes certified by the Board of Education to be collected in the next fiscal year for the purposes set out in the budget for the next fiscal year. By statute, the District is required to certify its budget in April of each year for the subsequent fiscal year. However, by statute, the tax asking and budget certification for the following fiscal year becomes effective on the first day of that year. Although the succeeding year property tax receivable has been recorded, the related revenue is deferred in both the government-wide and fund financial statements and will not be recognized as revenues until the year for which it is levied.

Property tax revenue recognized in these funds become due and collectible in September and March of the fiscal year with a 1½% per month penalty for delinquent payments; is based on January 1, 2004 assessed property valuations; is for the tax accrual period July 1, 2005 through June 30, 2006 and reflects the tax asking contained in the budget certified to the County Board of Supervisors in April 2005.

Due from Other Governments - Due from other governments represents amounts due from the State of Iowa, various shared revenues, grants and reimbursements from other governments.

Inventories - Inventories are valued at cost using the first-in, first-out method for purchased items and government commodities. Inventories of proprietary funds are recorded as expenses when consumed rather than when purchased and received.

Capital Assets - Capital assets, which include property, furniture and equipment, are reported in the applicable governmental or business type activities columns in the government-wide Statement of Net Assets. Capital assets are recorded at historical cost. Donated capital assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repair that do not add to the value of the asset or materially extend asset lives

are capitalized. Capital assets are defined by the District as assets with an initial, individual cost in excess of the following thresholds and estimated useful lives in excess of two years.

<u>Asset Class</u>	<u>Amount</u>
Land	\$ 3,000
Buildings	3,000
Improvements other than buildings	3,000
Furniture and equipment:	
School Nutrition Fund equipment	500
Other furniture and equipment	3,000

Capital assets are depreciated using the straight line method over the following estimated useful lives:

<u>Asset Class</u>	<u>Estimated Useful Lives (In Years)</u>
Buildings	50 years
Improvements other than buildings	20 years
Furniture and equipment	4-15 years

Salaries and Benefits Payable - Payroll and related expenditures for teachers with annual contracts corresponding to the current school year, which are payable in July and August, have been accrued as liabilities.

Deferred Revenue - Although certain revenues are measurable, they are not available. Available means collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue in the governmental fund financial statements represents the amount of assets that have been recognized, but the related revenue has not been recognized since the assets are not collected within the current period or expected to be collected soon enough thereafter to be used to pay liabilities of the current period. Deferred revenue consists of property tax receivable not collected within sixty days after year end.

Deferred revenues in the Statement of Net Assets consists of succeeding year property tax receivable that will not be recognized as revenue until the year for which it is levied and lunch tickets sold in the current year which will not be

used until the following year.

Compensated Absences - District employees accumulate a limited amount of earned but unused vacation for subsequent use or for payment upon termination, death or retirement. A liability is recorded when incurred in the government-wide financial statements. A liability for these amounts is reported in governmental fund financial statements only for employees that have resigned or retired. The compensated absences liability has been computed based on rates of pay in effect at June 30, 2006. The compensated absences liability attributable to the governmental activities will be paid primarily by the General Fund.

Long-term liabilities - In the government-wide financial statements, other long-term obligations are reported as liabilities in the governmental activities column in the Statement of Net Assets.

Fund Equity - In the governmental fund financial statements, reservations of fund balances are reported for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose.

Restricted Net Assets - In the government-wide Statement of Net Assets, net assets are reported as restricted when constraints placed on net asset use are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or imposed by law through constitutional provisions or enabling legislation.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Required Supplementary Information.

(2) Cash and Pooled Investments

The District's deposits in banks at June 30, 2006 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The District is authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the Board of Education; prime eligible bankers acceptances, certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investment trusts; and warrants or improvement certificates of a drainage district.

Interest rate risk - At June 30, 2006 the District had \$ 47,000 invested in certificates of deposit with maturities ranging from 4 to 336 days.

(3) Due From and Due to Other Funds

The detail of interfund receivables and payables at June 30, 2006 is as follows:

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
General	Special Revenue: Management Levy	\$ 3,398
General	Special Revenue: Physical Plant and Equipment Levy	10,222
General	Enterprise: Proprietary	15,898
		<u>\$ 29,518</u>

The Management Levy Fund and the Physical Plant and Equipment Levy Fund are repaying the General Fund for property tax that was incorrectly recorded in the prior year. The Proprietary Fund is repaying the General Fund for lunchroom salaries paid by the General Fund. The balances will be repaid by June 30, 2007.

(4) Iowa School Cash Anticipation Program (ISCAP)

The District participates in the Iowa School Cash Anticipation Program (ISCAP). ISCAP is a program of the Iowa Association of School Boards and is designed to provide funds to participating entities during periods of cash deficits. ISCAP is funded by a semiannual issuance of anticipatory warrants, which mature as noted below. The warrant sizing of each school corporation is based on a projection of cash flow needs during the semiannual period. ISCAP accounts are maintained for each participating entity, and monthly statements are provided regarding their cash balance, interest earnings and amounts available for each outstanding series of warrants. Bankers Trust Co. NA is the trustee for the program. A summary of the District's participation in ISCAP at June 30, 2006 is as follows:

Series	Warrant Date	Final Warrant Maturity	Investments	Accrued Interest Receivable	Warrants Payable	Accrued Interest Payable
2005-06B	1/26/06	1/26/07	<u>\$ 371,483</u>	<u>115</u>	<u>372,000</u>	<u>2,923</u>

The District pledges its state foundation aid payments and General Fund receipts as security for warrants issued. Repayments must be made when General Fund receipts are received. If a balance is outstanding on the last date the funds are available to be drawn, then the District must repay the outstanding withdrawal from its General Fund receipts. In addition, the District must make minimum warrant repayments on the 25th of each month immediately following the final date that the warrant proceeds may be used in an amount equal to 25% of the warrant amount. ISCAP advance activity in the General Fund for the year ended June 30, 2006 is as follows:

Series	Balance Beginning of Year	Advances Received	Advances Repaid	Balance End of Year
2005-06B	<u>\$ -</u>	<u>372,000</u>	<u>-</u>	<u>372,000</u>

The warrants bear interest and the available proceeds of the warrants are invested at the interest rates shown below:

Series	Interest Rates on Warrants	Interest Rates on Investments
2005-06B	4.500%	4.772%

(5) Capital Assets

Capital assets activity for the year ended June 30, 2006 was as follows:

	Balance Beginning of Year	Increases	Decreases	Balance End of Year
Governmental Activities:				
Capital assets not being depreciated:				
Land	\$ 100,000	1,000	-	101,000
Construction in progress	54,491	37,024	54,491	37,024
Total capital assets not being depreciated	154,491	38,024	54,491	138,024
Capital assets being depreciated:				
Buildings	2,441,067	107,463	-	2,548,530
Furniture and equipment	1,394,983	74,109	77,872	1,391,220
Total capital assets being depreciated	3,836,050	181,572	77,872	3,939,750
Less accumulated depreciation for:				
Buildings	1,407,323	68,561	-	1,475,884
Furniture and equipment	1,098,126	72,648	77,872	1,092,902
Total accumulated depreciation	2,505,449	141,209	77,872	2,568,786
Total capital assets being depreciated, net	1,330,601	40,363	-	1,370,964
Governmental activities capital assets, net	\$ 1,485,092	78,387	54,491	1,508,988
Business type activities:				
Furniture and equipment	\$ 60,684	3,192	0	63,876
Less accumulated depreciation	49,626	6,091	0	55,717
Business type activities capital assets, net	\$ 11,058	(2,899)	0	8,159

Depreciation expense was charged to the following functions:

Governmental activities:

Instruction:

Regular	\$ 6,562
Other	344

Support services:

Instructional staff	4,012
Administration	583
Operation and maintenance of plant	2,934
Transportation	58,213

72,648

Unallocated

68,561

Total depreciation expense-governmental activities

\$ 141,209

Business type activities:

Food service operations

\$ 6,091

(6) Long-Term Liabilities

Changes in long-term liabilities for the year ended June 30, 2006 are summarized as follows:

	Balance Beginning of Year	Additions	Reductions	Balance End of Year	Due Within One Year
Early retirement	\$ 13,591	24,653	6,087	32,157	28,723
Compensated absences	7,981	12,926	7,981	12,926	12,926
Total	<u>\$ 21,572</u>	<u>37,579</u>	<u>14,068</u>	<u>45,083</u>	<u>41,649</u>

Early Retirement

The District offers a voluntary early retirement benefit to employees who have completed twelve (12) years of service and have reached age 55. Classified employees must have been employed at least thirty (30) hours per week for ten (10) months per year. Certified employees must be at least half time to qualify. Employees will receive a cash payment calculated as follows: twenty percent (20%) of unused accumulated sick days multiplied by the employees per diem wages. Per diem wages are based on contract days.

Supplemental duties and extended contract days are excluded. Classified per diem will be figured only to a maximum of eight hours. Upon retirement the employee shall be eligible to participate in the school district's health insurance plan. The school district will pay up to \$ 300 per month towards this group insurance. This policy will be in effect until June 30, 2008.

(7) Pension and Retirement Benefits

The District contributes to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing IPERS, P.O. Box 9117, Des Moines, Iowa 50306-9117.

Plan members are required to contribute 3.70% of their annual covered salary and the District is required to contribute 5.75% of annual covered payroll for the years ended June 30, 2006, 2005, and 2004. Contribution requirements are established by state statute. The District's contributions to IPERS for the years ended June 30, 2006, 2005, and 2004 were \$ 148,229, \$ 159,443 and \$ 168,138, respectively, equal to the required contributions for each year.

(8) Risk Management

Central Community School District is exposed to various risks of loss related to torts; theft; damage to and destruction of assets, errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The District assumes liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks exceeded commercial insurance coverage for the fiscal year ended June 30, 2004 by \$ 49,034. This loss was a result of May flooding of the Turkey River. However, Federal and State grants covered 85% of the District's loss.

(9) Area Education Agency

The District is required by the Code of Iowa to budget for its share of special education support, media and educational services provided through the area education agency. The District's actual amount for this purpose totaled \$ 180,395 for the year ended June 30, 2006 and is recorded in the General Fund by making a

memorandum adjusting entry to the cash basis financial statements.

(10) Related Party Transactions

The District had business transactions totaling \$ 1,525 between the District and District employees during the year ended June 30, 2006.

(11) Construction Commitment

The District had entered into a contract for \$ 121,920 to remodel the elementary portion of the building.

REQUIRED SUPPLEMENTARY INFORMATION

CENTRAL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES -
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL FUNDS AND PROPRIETARY FUND
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2006

	Governmental Funds Actual	Proprietary Fund Actual	Total Actual	Budgeted Amounts	Budgeted To Actual Variance
Receipts:					
Local sources	\$ 2,511,522	112,349	2,623,871	2,658,262	(34,391)
Intermediate sources	1,330	0	1,330	0	1,330
State sources	2,504,532	2,826	2,507,358	2,493,156	14,202
Federal sources	193,643	117,690	311,333	292,000	19,333
Total receipts	5,211,027	232,865	5,443,892	5,443,418	474
Disbursements:					
Instruction	3,041,986	0	3,041,986	3,326,414	284,428
Support services	1,398,934	0	1,398,934	1,499,697	100,763
Non-instructional programs	15,898	211,232	227,130	335,929	108,799
Other expenditures	311,510	0	311,510	391,237	79,727
Total disbursements	4,768,328	211,232	4,979,560	5,553,277	573,717
Excess (deficiency) of receipts over (under) disbursements	442,699	21,633	464,332	(109,859)	574,191
Other financing sources	2,835	0	2,835	0	2,835
Net change in balances	445,534	21,633	467,167	(109,859)	577,026
Balances beginning of year	517,371	45,330	562,701	685,004	(122,303)
Balances end of year	\$ 962,905	66,963	1,029,868	575,145	454,723

See accompanying independent auditor's report.

CENTRAL COMMUNITY SCHOOL DISTRICT
BUDGETARY COMPARISON SCHEDULE - BUDGET TO GAAP RECONCILIATION
REQUIRED SUPPLEMENTARY INFORMATION
Year Ended June 30, 2006

	Governmental Funds		
	Cash Basis	Accrual Adjustments	Modified Accrual Basis
Revenues	\$ 5,211,027	(17,776)	5,193,251
Expenditures	4,768,328	284,615	5,052,943
Net	442,699	(302,391)	140,308
Other financing sources	2,835	0	2,835
Beginning fund balances	517,371	177,843	695,214
Ending fund balances	\$ 962,905	(124,548)	838,357

	Proprietary Fund Enterprise		
	Cash Basis	Accrual Adjustments	Accrual Basis
Revenues	\$ 232,865	120	232,985
Expenses	211,232	18,650	229,882
Net	21,633	(18,530)	3,103
Beginning net assets	45,330	14,406	59,736
Ending net assets	\$ 66,963	(4,124)	62,839

See accompanying independent auditor's report.

Central Community School District

Notes to Required Supplementary Information-Budgetary Reporting

June 30, 2006

The budgetary comparison is presented as Required Supplementary Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the Board of Education annually adopts a budget following required public notice and hearing for all funds except the Private Purpose Trust Fund. The budget may be amended during the year utilizing similar statutorily prescribed procedures. The District's budget is prepared on the cash basis.

Formal and legal budgetary control for the certified budget is based upon four major classes of expenditures known as functions, not by fund. These four functions are instruction, support services, non-instructional programs and other expenditures. Although the budget document presents function expenditures or expenses by fund, the legal level of control is at the aggregated functional level, not by fund. The Code of Iowa also provides District expenditures in the General Fund may not exceed the amount authorized by the school finance formula.

During the year ended June 30, 2006, the District exceeded its General Fund unspent authorized budget.

OTHER SUPPLEMENTARY INFORMATION

CENTRAL COMMUNITY SCHOOL DISTRICT
 COMBINING BALANCE SHEET
 NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2006

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
ASSETS				
Cash	\$ 83,606	141,140	47,301	272,047
Receivables:				
Property tax:				
Delinquent	2,304	0	1,116	3,420
Succeeding year	130,597	0	95,371	225,968
TOTAL ASSETS	<u>\$ 216,507</u>	<u>141,140</u>	<u>143,788</u>	<u>501,435</u>
LIABILITIES AND FUND EQUITY				
Liabilities:				
Due to other funds	3,398	0	10,222	13,620
Deferred revenue:				
Succeeding year property tax	130,597	0	95,371	225,968
Total liabilities	133,995	0	105,593	239,588
Fund equity				
Unreserved fund balances	82,512	141,140	38,195	261,847
TOTAL LIABILITIES AND FUND EQUITY	<u>\$ 216,507</u>	<u>141,140</u>	<u>143,788</u>	<u>501,435</u>

See accompanying independent auditor's report.

Schedule 2

	Management Levy	Student Activity	Physical Plant and Equipment Levy	Total
Revenues:				
Local sources:				
Local tax	\$ 87,000	0	44,485	131,485
Other	54	146,938	2,026	149,018
State sources	87	0	42	129
Total revenues	87,141	146,938	46,553	280,632
Expenditures:				
Current:				
Instruction:				
Regular	42,961	0	2,303	45,264
Other	0	143,148	0	143,148
Support services:				
Instructional staff	0	0	17,391	17,391
Administration	23,866	0	0	23,866
Plant operation and maintenance	27,942	0	401	28,343
Other expenditures:				
Facilities acquisition	0	0	31,632	31,632
Total expenditures	94,769	143,148	51,727	289,644
Excess (deficiency) of revenues over (under) expenditures	(7,628)	3,790	(5,174)	(9,012)
Fund balances beginning of year	90,140	137,350	43,369	270,859
Fund balances end of year	\$ 82,512	141,140	38,195	261,847

See accompanying independent auditor's report.

CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Operations	127,929	2,945	2,917	890	128,847
Drama	(225)	3,115	2,762	0	128
Speech	(307)	0	606	0	(913)
Music Department					
Dry Cleaning	953	1,338	754	0	1,537
Vocal Music	0	1,932	2,642	0	(710)
Instrumental Music	0	430	1,178	0	(748)
Junior High Athletics	(3,151)	0	2,616	3,151	(2,616)
Co-ed Athletics	17,313	49,690	23,976	(34,342)	8,685
Basketball	(3,471)	0	5,109	3,471	(5,109)
Track	(2,413)	0	4,185	2,413	(4,185)
Cross Country	(365)	0	735	365	(735)
Golf	(1,169)	0	443	1,169	(443)
Football	(9,245)	142	10,157	9,245	(10,015)
Baseball	(5,333)	0	3,746	5,333	(3,746)
Wrestling	(1,431)	1,016	3,218	1,431	(2,202)
Volleyball	(1,884)	0	3,479	1,884	(3,479)
Softball	(5,593)	0	4,009	5,593	(4,009)
Cheerleaders	0	0	420	0	(420)
Football Club	393	399	574	0	218
Softball Club	0	112	0	0	112
Basketball Club	701	3,510	2,882	0	1,329
Baseball Club	1,803	582	625	0	1,760
FFA	720	0	194	0	526
FCCLA	114	812	907	0	19
Mentors	793	109	534	0	368
National Honor Society	336	0	0	0	336
Elementary Media Club	498	1,817	1,742	0	573
High School Media Club	512	504	1,016	0	0
Yearbook	1,279	8,641	8,022	0	1,898
Athletic Boosters	(286)	4,033	2,755	286	1,278
Student Council	(414)	1,395	1,197	414	198
Letterwinners Club	1,155	4,742	5,857	0	40
Spanish Club	8,031	14,148	10,615	0	11,564
Drama Club	468	0	0	0	468
Volleyball Club	343	680	0	0	1,023
Cheerleaders Club	1,574	2,422	1,295	0	2,701
Class of 2009	0	3,275	1,599	0	1,676
Class of 2008	1,718	925	1,232	(300)	1,111
Class of 2007	2,335	17,125	16,363	0	3,097

(continued)

Schedule 3
(continued)

CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF CHANGES IN SPECIAL REVENUE FUND, STUDENT ACTIVITY ACCOUNTS
Year Ended June 30, 2006

Account	Balance Beginning of Year	Revenues	Expenditures	Intrafund Transfers	Balance End of Year
Class of 2006	1,343	872	1,649	0	566
Class of 2005	19	0	0	0	19
Milk/Juice Sales	1,423	2,009	1,273	(1,423)	736
Soft Drink/Juice Sales	(420)	9,654	6,187	420	3,467
Reading is Fundamental	1,227	920	576	0	1,571
Elementary Activities	45	697	687	0	55
Entrepreneurs	32	492	440	0	84
Elementary Fundraisers	0	6,455	1,975	0	4,480
Total	\$ 137,350	146,938	143,148	0	141,140

See accompanying independent auditor's report.

CENTRAL COMMUNITY SCHOOL DISTRICT
 SCHEDULE OF REVENUES BY SOURCE AND EXPENDITURES BY FUNCTION
 ALL GOVERNMENTAL FUNDS
 For the Last Four Years

Modified Accrual Basis				
	2006	2005	2004	2003
Revenues:				
Local sources:				
Local tax	\$ 2,105,807	2,237,329	2,045,458	1,867,600
Tuition	221,079	185,009	188,036	187,220
Other	191,932	175,084	228,800	226,894
Intermediate sources	1,330	1,509	0	0
State sources	2,504,532	2,495,563	2,298,034	2,453,253
Federal sources	171,406	196,002	155,688	180,750
	<u>\$ 5,196,086</u>	<u>5,290,496</u>	<u>4,916,016</u>	<u>4,915,717</u>
Expenditures:				
Instruction:				
Regular	\$ 2,261,741	2,212,440	2,171,150	2,118,873
Special	572,937	484,282	625,832	532,533
Other	429,072	518,944	496,360	510,907
Support services:				
Student	132,861	126,412	131,133	138,834
Instructional staff	160,749	156,287	176,439	238,758
Administration	505,812	479,063	493,333	462,317
Plant operation and maintenance	379,627	366,882	353,982	362,433
Transportation	298,568	253,009	263,890	254,693
Other expenditures:				
Facilities acquisition	131,181	216,419	188,047	166,561
AEA flowthrough	180,395	180,137	181,770	196,260
Total	<u>\$ 5,052,943</u>	<u>4,993,875</u>	<u>5,081,936</u>	<u>4,982,169</u>

See accompanying independent auditor's report.

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS
BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS

To the Board of Education of the
Central Community School District:

We have audited the accompanying financial statements of the governmental activities, the business type activities, each major fund and the aggregate remaining fund information of the Central Community School District as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements listed in the table of contents and have issued our report thereon dated January 26, 2007. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the Central Community School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinions on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses under standards established by the American Institute of Certified Public Accountants. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Central Community School District's financial statements are free of material

misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of non-compliance or other matters that are described in the accompanying Schedule of Findings.


Comments involving statutory and other legal matters about the District's operations for the year ended June 30, 2006 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the District. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.

This report, a public record by law, is intended solely for the information and use of the officials, employees and citizens of the Central Community School District and other parties to whom the Central Community School District may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the Central Community School District during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

January 26, 2007


Dietz, Donald & Company, CPAs
FEIN 42-1172392

CENTRAL COMMUNITY SCHOOL DISTRICT
SCHEDULE OF FINDINGS
Year Ended June 30, 2006

- A. **Certified Budget** - The District exceeded its unspent authorized budget for the year ended June 30, 2006 by approximately \$ 17,000.

Recommendation - The District should contact the Iowa Department of Education and the School Budget Review Committee to resolve the issue of unspent authorized budget.

Response - We were contacted by the Iowa Department of Education and the School Budget Review Committee and the issue has been resolved.

Conclusion - Response accepted.

- B. **Questionable Disbursements** - No disbursements that we believe may not meet the requirements of public purpose as defined in an Attorney General's opinion dated April 15, 1979 were noted.
- C. **Travel Expense** - No disbursements of District money for travel expenses of spouses of District officials or employees were noted. No travel advances to District officials or employees were noted.
- D. **Business Transactions** - Business transactions between the District and District officials or employees are detailed as follows:

<u>Name, Title and Business Connection</u>	<u>Transaction Description</u>	<u>Amount</u>
Jay Moser, spouse of teacher, owner of Moser Family Pharmacy	Supplies, and vaccines	\$ 281
Paul Olson, spouse of janitor, owner of Olson Appliance	Repairs	156
Ron Engelhardt, spouse of cook, owner of R&R Dairy	Food	36
Ute Gage, spouse of janitor, owner of Elkader Dry Cleaners	Dry cleaning	<u>1,052</u>
		<u>\$ 1,525</u>

In accordance with an Attorney General's opinion dated November 9, 1976, the above transactions do not appear to represent a conflict of interest.

- E. **Bond Coverage** - Surety bond coverage of District officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- F. **Board Minutes** - No transactions were found that we believe should have been approved in the Board minutes but were not.
- G. **Certified Enrollment** - No variances in the basic enrollment data certified to the Department of Education were noted.
- H. **Deposits and Investments** - No instances of non-compliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the District's investment policy were noted.
- I. **Certified Annual Report** - The Certified Annual Report was certified with the Department of Education timely.
- J. **Request for Proposal** - The District did not send out requests for proposal in accordance with Chapter 11.6 before employing a Certified Public Accountant to conduct the audit.

Recommendation - A minimum of three requests for proposal should be sent out and responses evaluated before engaging a firm to conduct your audit.

Response - We are located in a rural area and are a small District. It has been difficult to get responses to previous requests for proposal since we have a CPA located in Elkader.

Conclusion - Even if responses are not obtained, a minimum of three requests should be sent out.